

**MINUTES**  
**ROCKFORD FIREFIGHTERS' PENSION FUND**  
**June 19, 2014**

A regular meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund was held on Thursday, June 19, 2014, at 3:00 p.m. in the second floor conference room of the Fire Department Administrative Building at 204 S. First Street, Rockford, Illinois, pursuant to notice.

**CALL TO ORDER**

The meeting was called to order at 3:10 p.m. Upon a call of the roll, the following answered:

ATTENDED:	Alan Granite, President	
	Chris Black, City Finance Director	Michael White, Trustee
ABSENT:	Tracy Renfro, Secretary	Jim Strey, Trustee
STAFF:	Ted Dutkiewicz, Revenue Manager	Linda Wlaznik, Pension Investment Accountant
	Judi Yehling, Recording Secretary	
GUESTS:	Attorney Meganne Trela, Ottosen Britz	Mike Piotrowski, Marquette Associates
	Mark McDonald, Hillswick	

**I. PUBLIC COMMENT -- None**

**II. MINUTES**

- The April 15th minutes were presented. Chris Black made a motion to approve the minutes and Michael White seconded the motion. A roll call vote was taken:

<b>Ayes:</b>	Alan Granite	Michael White
	Chris Black	
<b>Absent:</b>	Tracy Renfro	Jim Strey
<b>Nays:</b>	None	

**III. APPROVAL OF APPLICATIONS/PENSION CHANGES**

- Firefighter Maynard Jarl died on June 10, 2014, and his service pension will terminate. Alan Granite made a motion to terminate Arnold Dunbar's service pension. Michael White seconded the motion. A roll call vote was taken:

<b>Ayes:</b>	Alan Granite	Michael White
	Chris Black	
<b>Absent:</b>	Tracy Renfro	Jim Strey
<b>Nays:</b>	None	

**IV. DISBURSEMENTS**

- Alan Granite made a motion to approve the June payroll of \$1,309,623.55. Michael White seconded the motion. A roll call vote was taken:

<b>Ayes:</b>	Alan Granite	Michael White
	Chris Black	
<b>Absent:</b>	Tracy Renfro	Jim Strey
<b>Nays:</b>	None	

- Invoices totaling \$49,307.92 were presented as shown in the updated warrant packet. Chris Black made a motion to approve the June invoices as presented in the warrant packet. Michael White seconded the motion. A roll call vote was taken:

**Ayes:** Alan Granite Michael White  
Chris Black  
**Absent:** Tracy Renfro Jim Strey  
**Nays:** None

## V. CASH & INVESTMENTS

- Mike Piotrowski presented Marquette Associates' Report for May 2014:
  - Page 7 of the report shows a snapshot of performance. May was a good month, and at almost \$155 million, the Fund is at an all-time high.
  - Brandes is now funded at \$5.75 million.
  - Any rebalancing needed can be done with meeting cash needs.
  - Looking at pages 8 and 9, the Fund is up 1.5% for the month and 4.10% YTD, exceeding the actuarial rate of return. Bonds have done well YTD at 3.2%. Both real estate and the global tactical composite have done really well YTD at 6.7% and 5.5% respectively.
  - Individual managers' performance is on page 9 and 10:
    - Fiduciary, the small cap manager, is up 3.3% YTD.
    - Emerging markets are up 9% over the last three months.
    - REITs are up 16% in five months which is pretty remarkable and both Principal and PIMCO have done well.
    - Manning is scheduled for next month.
  - Mike Piotrowski ended by commenting that the portfolio is well diversified which helps weather some of the volatility experienced.
- Mike Piotrowski presented the updated Investment Policy adding Brandes for the Board's approval and signatures. Chris Black made a motion, seconded by Michael White, to approve the revised investment policy. A roll call vote was taken:

**Ayes:** Alan Granite Michael White  
Chris Black  
**Absent:** Tracy Renfro Jim Strey  
**Nays:** None

- There were no cash needs for the month due to property tax receipts.
- Records of purchases and sales were distributed.

Michael White made a motion, seconded by Chris Black, to approve the purchases and sales for the month. A roll call vote was taken:

**Ayes:** Alan Granite Michael White  
Chris Black  
**Absent:** Tracy Renfro Jim Strey  
**Nays:** None

- Mike Piotrowski introduced Mark McDonnell, Hillswick Asset Management:
  - McDonnell began his presentation by saying that YTD Hillswick has modestly outperformed the benchmark but were underperforming at the one-year mark, but outperforming on a three, five and since inception basis.
  - Hillswick holds four types of bonds in the portfolio: mortgages, agencies, treasuries and corporates.
  - Looking at shifts in the bond market, they try to figure out where to buy and how much duration. It's kind of a measure of risk against the benchmark. Shift is basic: it's a bond market rally – bond market sold off. (See charts on page 1.)
  - Twist, which is the difference in yield on the 2-year vs. the 10-year or the 2-year vs. the 30-year, can shift back and forth and for a long time was in the steepening mode. However, when the Fed tightens, it flattens. The twist is where they got a “decent amount” of performance.
  - Hillswick had the right position on the curve in the treasury market. However, right now corporate bonds are not worth the risk; they're at an all-time low and overall the credit quality rating is down. This is a risk adverse portfolio.
  - Page 3 of the report shows the purchases and sales. McDonnell cited Pepsi as an example as far as credit holdings but also said the spreads were way too tight.
  - They are pulling back on credit and agency allocations as they've “gotten very rich.” They're using the liquidity that the Fed has provided but they think it's going to come to an end.”
  - Leveraged loans are a small problem. Hillswick is positioned underweight to credit and believes there is potential for a Lehman-like scenario.
  - McDonnell says Hillswick should have been short duration.
  - Hillswick believes the Chinese will continue to buy bonds, and it's a game of “beggar my neighbor.”
  - Hillswick believes the “economy is healing” and will go to 3 or 4% in the 10-year but we're just not there yet. April was good but May had a “slowdown.” According to Hillswick we've “normalized” more than Europe with about 2 to 2.5% real growth. It is a slow growth environment, and Hillswick has priced in a lot of tapering. The U.S. stands out in bond yields.
  - Looking at page 15, McDonnell commented that they cut duration in June, saying that the job is to look for cheap bonds. Currently they see an opportunity to load the portfolio with credit at attractive spreads. They underperformed on credit tightening but the portfolio now yields 4.5%.
- Ted Dutkiewicz passed out the report on the status of the Fund as of May 3, 2014:
  - The report showed total current market value of the Fund was \$154.56 million, up 0.982% year to date. The equity fund is up 4.145%%, and fixed income is down 4.602% at 43.116% of the total Fund.

## VI. OLD BUSINESS

- The DOI audit report is in progress.
- Attorney Meganne Trela brought up several matters for information/discussion:
  - She informed Board that she's waiting on three of the required medical records for Barry Fitz's disability case commenting that record gathering is actually the longest part of the process. Once the records are received, the IMEs can be scheduled. She will call the doctors and get available dates and give them to the client. It is “just a waiting game right now.”

- Attorney Meganne Trela provided the Board with a copy of Attorney Clifford's conference presentation.

## **VII. CLOSED MEETING – None required.**

## **VIII. NEW BUSINESS**

- Ted Dutkiewicz presented the Board with Tim Sharpe's Actuarial Report for the year ending December 31, 2014, and discussion followed.

After reviewing Sharpe's calculations using both PUC and entry age normal, the City elected to stay with PUC at 90% which meant a City contribution of \$7.2 million. This means it is better funded than by going with entry age normal at 90% and increases the City's contribution by \$1.17 million for both funds.

- Ted Dutkiewicz stated that real estate values have dropped by 26% which, of course, affects the ability of the City to levy taxes for the Fund.
- Although it is funded at 64.1% which is lower than 10 years ago, Chris Black indicated that the Firefighters' Pension Fund is in the top four or five as far as funding. Chris Black discussed the impact of the City's recent bond rating change and why it happened. "We have a more mature plan than Naperville for instance." Peoria, like Rockford, has been affected by lower property values, jobs and employment. Chris Black also noted that both funds had a 14% return.
- Michael White made a motion, seconded by Alan Granite, to accept the Actuarial Report as presented. A roll call vote was taken:

<b>Ayes:</b>	Alan Granite	Michael White
	Chris Black	
<b>Absent:</b>	Tracy Renfro	Jim Strey
<b>Nays:</b>	None	

- Following approval, request was made to schedule a teleconference in August with Tim Sharpe to go over the report.
- Attorney Meganne Trela indicated that it is time to begin the IME process for the three current members on disability pension: John Albaugh, Larry Peterson and Marc Gasparini. Gasparini's information is already back; we're waiting for the application authorization for Albaugh; and an IME is being scheduled for Peterson. Usually we stay with the same physician every year for stability, familiarity and ease of administration. Michael White expressed some concern about always using the same IME physician and that it may seem that the Board is simply "rubber stamping" the pension. Attorney Trela said Ottosen Britz would follow-up on this with a memo to the Board at the next meeting, and the Board can make a decision as to whether it should change IME physicians for these three disabled members.
- It is time for officer elections. Michael White made a motion, seconded by Chris Black, to nominate Alan Granite as President of the Board and Tracy Renfro as Secretary. A roll call vote was taken:

<b>Ayes:</b>	Alan Granite	Michael White
	Chris Black	
<b>Absent:</b>	Tracy Renfro	Jim Strey
<b>Nays:</b>	None	

- Linda Wlaznik provided the Board with the DOI Annual Statement for the Fund which is a summary of what was submitted to the DOI for 2013 including a sheet comparing 2012 to 2013. Alan Granite made a motion, seconded by Chris Black, to accept the DOI Annual Statement as presented. A roll call vote was taken:

**Ayes:** Alan Granite Michael White  
Chris Black  
**Absent:** Tracy Renfro Jim Strey  
**Nays:** None

## IX. TRAINING


- Board tabled the subject of Tracy Renfro's on-line training.

## X. ADJOURNMENT

A motion was made by Michael White, seconded by Chris Black, to adjourn the meeting. Motion carried and meeting was adjourned at 4:25 p.m.

Next regular meeting is July 17, 2014, at 3:00 p.m.

Signed:

  
\_\_\_\_\_  
Tracy Renfro, Secretary

  
\_\_\_\_\_  
Date

Prepared by:

  
\_\_\_\_\_  
Judith Yehling, Recording Secretary

  
\_\_\_\_\_  
Date

*Approved by the Board of Trustees at its July 17, 2014, meeting.*

